

Nonresident Personal Tax

General Instructions

If you are unable to determine the proper line to use, please contact one of the Taxpayer Information and Assistance help numbers:

Phoenix (602) 255-3381
 Tucson (520) 628-6421
 Other Arizona areas 1-800-352-4090
 Form Orders (602) 542-4260
 Forms by Fax (602) 542-3756
 Recorded Tax Information
 Phoenix (602) 542-1991
 Other Arizona areas 1-800-845-8192
 Hearing impaired TDD user
 Phoenix (602) 542-4021
 Other Arizona areas 1-800-397-0256

Are You Subject to Tax in Arizona?

A. Residency Status. A resident is any one domiciled in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country.

For more information on determining residency for Arizona income tax purposes, see Arizona Department of Revenue Income Tax Procedure ITP 92-1. To get a copy of this procedure, call one of the help numbers listed on this page.

B. As an Arizona nonresident, you are subject to Arizona income tax on all income derived from Arizona sources. If you are in this state for a temporary or transitory purpose or did not live in Arizona but received income from sources within Arizona during 1995, you are subject to Arizona tax. Income includes wages, rental income, business income, the sale of Arizona real estate, alimony, interest and dividends having a taxable or business situs in this state, or any other income from an Arizona source.

NOTE: *You must file a state return even though all or part of the tax has been withheld.*

C. Military Personnel. If you were an Arizona resident when you entered the military, you continue to be an Arizona resident regardless of where you are stationed. You continue to be an Arizona resident unless you establish a new domicile. As an Arizona resident you are subject to Arizona income tax on all of your income (including your military pay). If you are stationed in Arizona on military orders and are not an Arizona resident, Arizona does not tax your military pay. If you earn other income in Arizona, that income is taxable by Arizona. Use Form 140NR, Nonresident Personal Income Tax Return, to report this income.

For more information, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military*. To get a copy of this brochure, call one of the help numbers listed on this page.

D. Deceased Taxpayer. When a taxpayer dies during the year, the surviving spouse or personal representative may have to file a final return. Use the form the taxpayer would have used. Enter the word deceased after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name. The surviving spouse may file a joint return with the deceased taxpayer. If you are filing a joint return, write "filing as surviving spouse" in the area for the deceased spouse's signature. Include the deceased taxpayer's income up to the date of death and your income for the entire year. ***If the booklet was mailed to you, do not use the label.***

If requesting a refund, attach Form 131, Claim for Refund on Behalf of Deceased Taxpayer, to the front of the return. It may be necessary to file fiduciary or estate tax returns also. Call the Arizona Department of Revenue at (602) 542-4022 for details.

E. American Indians. You must file an Arizona income tax return if you meet the Arizona filing requirements unless all the following apply to you.

1. You are an enrolled member of an Indian tribe.
2. You live on the reservation established for that tribe.
3. You earned all of your income on that reservation.

For more information, see Arizona Department of Revenue Income Tax Ruling ITR 91-3. To get a copy of this ruling, call one of the help numbers listed on this page.

F. Spouses of American Indians. See Arizona Department of Revenue Income Tax Ruling ITR 91-3 if you are a non-Indian married to an Indian described in paragraph E above. Also see Arizona Department of Revenue Income Tax Ruling ITR 91-3 if you are a non-enrolled Indian married to an Indian described in paragraph E above. To get a copy of this ruling, call one of the help numbers listed on this page.

G. Parents Electing To Claim Certain Unearned Income of Their Children on Their Federal Income Tax Return Under IRC 1(i)(7). When a child's unearned income is included in the parent's federal adjusted gross income, that same income must be included in the parent's Arizona taxable income. The child should not file an Arizona income tax return.

Do You Need To File a Return?

Your filing status and income determine if you must file an Arizona income tax return. To get a refund of any Arizona income tax withheld you must file a return .

Filing Status and Income Chart

The following rules are for all Arizona taxpayers.

You must file if you are:	and your gross income is at least:	or your Arizona adjusted gross income is at least:
Single	\$ 15,000	\$ 5,500
Married filing jointly	\$ 15,000	\$ 11,000
Married filing separately	\$ 15,000	\$ 5,500
Unmarried head of household	\$ 15,000	\$ 5,500

Gross income is gross income defined under the Internal Revenue Code less income included in gross income that is excluded from Arizona taxation.

Your Arizona adjusted gross income is found on line 22 of Arizona Form 140NR.

When Should You File?

Your 1995 tax return is due no later than midnight, April 15, 1996.

File your return as soon as you can after January 1, but no later than April 15, 1996. To avoid penalties and interest, the U.S. Postal Service must postmark your return by April 15, 1996.

If you know you will not be able to file on time, you may request an extension. *An extension does not extend the time to pay your income tax. Failure to pay at least 90 percent of the tax due by the original due date will result in a penalty.* Beginning April 16, Arizona charges interest on any unpaid tax. The extension underpayment penalty is one-half of one percent per month. The extension underpayment penalty cannot exceed 25 percent of the unpaid tax.

To get a filing extension, you can either:

1. Apply for a state extension - (Form 204). To request a filing extension for only your Arizona return, file Arizona Form 204 by April 15. See Form 204 for details.
2. Use your federal extension - (Federal Form 4868 or 2688). Arizona will accept your federal extension for the same period. Attach a copy of the federal extension to the front of your return. The IRS must have approved the federal extension granted on federal Form 2688. However, if you must make a payment, you must use Arizona Form 204.

Attach a copy of your extension to the front of your return when you file.

Nonresident Aliens

Nonresident aliens having federal income tax returns due on June 15 must file Arizona tax returns by April 15.

To file an Arizona return at the same time the federal return is due, file for an extension by April 15.

At least 90 percent of your tax liability is due by April 15. Those filing for a federal four-month extension, must file an Arizona extension for both the four-month and two-month extensions. See Form 204 in this booklet for extension filing details.

When you do not file your Arizona return or extension by April 15, you may incur interest and penalties. Late filing and late payment penalties and interest will apply to the unpaid tax liability.

Penalties and Interest

A. Late Filing Penalty. The late filing penalty is 5 percent of the tax found to be remaining due for each month or fraction of a month the return is late. This penalty cannot exceed 25 percent of the tax found to be remaining due.

B. Extension Underpayment Penalty. The department imposes this penalty if you do not pay 90 percent of the tax liability shown on your return filed under an extension by the return's original due date. The department also imposes this penalty if you do not attach the extension to your return when you file.

The extension underpayment penalty is one-half of one percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The department imposes this penalty from the original due date of the return until you pay the tax. The extension underpayment penalty cannot exceed 25 percent of the unpaid tax.

C. Late Payment Penalty. The department imposes the late payment penalty if you do not pay the tax by the time prescribed for its payment. The late payment penalty is 10 percent of the tax not paid within the time prescribed for its payment.

NOTE: *If you are subject to two or more of the above three penalties, the maximum combined penalty cannot exceed 25 percent.*

Interest. The department charges interest on any tax not paid by the due date even if you have an extension. The department charges interest from the original due date to the date of payment. The Arizona rate of interest is the same as the federal rate.

Contact one of the help numbers listed on page 1 of these instructions for the current interest rate.

E. Estimated Penalty. The department imposes the underpayment of estimated tax penalty on any late payment or underpayment of a required installment of estimated tax. Refer to Arizona Form 221 for further details.

Do You Need To Make Estimated Payments in 1996?

You must make Arizona estimated income tax payments during 1996 if either of the following apply.

1. You reasonably expect your Arizona gross income will exceed \$75,000 in 1996.
2. Your Arizona gross income in 1995 was greater than \$75,000.

As a nonresident, for Arizona estimated payment purposes, your Arizona gross income is that portion of your federal adjusted gross income derived from Arizona sources.

An individual who fails to make the required estimated payments is subject to a penalty and interest on any estimated tax payment which is late or underpaid.

In projecting current Arizona gross income, you must use ordinary business care and prudence in determining if estimated tax payments are required.

An individual who is not required to make mandatory Arizona estimated income tax payments may choose to make Arizona estimated income tax payments.

For more information, see Arizona Forms 140ES and 221. Also see Arizona Department of Revenue Income Tax Ruling ITR 92-1. To get a copy of this ruling, call one of the help numbers listed on page 1 of these instructions.

How Do You Amend a Return?

To make a change in your return for 1995 or prior years, file an Arizona Form 140X, Individual Amended Return. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If the Internal Revenue Service changes your federal taxable income, you must file an Arizona Form 140X for that year. Attach a complete copy of the IRS agent's report. If there are any changes to your federal taxable income, you must amend your Arizona return within 90 days of the change.

Line-by-Line Instructions for Completing Arizona Form 140NR

Tips for Preparing Your Return:

- Complete your return using black ink.
- You may round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar. If less than 50 cents, round down.
- When asked to provide your own schedule, attach a separate sheet with your name and social security number at the top. Attach your own schedules to the back of your return.

- Complete your federal return before you start your Arizona return.
- Include your home telephone number and a daytime telephone number, if different.
- If filing a fiscal year return, fill in the period covered in the space provided at the top of the form.

Entering Your Name, Address, and Social Security Number

Lines 1, 2, and 3 -

If your booklet has a pre-addressed label on the cover, use that label if all the information is correct. **Do not use the label if any information is incorrect.**

If there is no correct pre-addressed label, print or type your name, address, and social security number in the space provided. If filing a joint return, enter both social security numbers in the same order as your first names. If you and your spouse have different last names, separate your last names with "and". Put them in the same order as your first names and social security numbers.

The department issues refunds under both first name initials and the last name listed first on the return. For a deceased taxpayer, see page 1 of the instructions.

Use your current home address. The department will send any refund or correspondence to that address.

NOTE: *Make sure your social security number is correct and listed in the same order every year if filing jointly.*

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers failing to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear

identification numbers may cause delays in processing the returns. If you are filing jointly, enter your social security numbers in the same order every year. *If your name appears first on the return, make sure your social security number is the first number listed.*

Determining Your Filing Status

The filing status used on your federal return may be different from that used on your Arizona return. Use this section to determine your correct filing status and check the appropriate box (4 through 7) on the front of Form 140NR.

Line 4 Box - Married Filing a Joint Return

You may use this filing status if married as of December 31, 1995. It does not matter whether or not you were living with your spouse. You may use this filing status if your spouse died during 1995 and you did not remarry in 1995. See "Deceased Taxpayer" section on page 1 for more information.

If you are married to an Arizona full year resident, you may file a joint return using the 140NR. For more information, see Arizona Department of Revenue Income Tax Ruling ITR 95-2. To get a copy of this ruling, call one of the information numbers listed on page one of these instructions.

Line 5 Box - Unmarried Head of Household

You may use this filing status if you meet all the following.

1. You were either single, divorced, or legally separated on December 31, 1995.

NOTE: *Arizona law is different from federal law. You cannot file as unmarried head of household if you are an abandoned spouse or married living apart.*

2. You have a qualified dependent you are entitled to claim as an exemption. See the instructions for line 10 box to find a list of those dependents who qualify.

NOTE: Arizona law is different from federal law. You cannot use this filing status when you cannot claim the dependent as an exemption.

3. Both of the following conditions must apply for your taxable year:

- A. You maintained as your home a household which was the dependent's main home.
- B. You furnished over one-half of the cost of maintaining that household.

If you qualify for unmarried head of household status, check the line 5 box. Enter your dependent's name in the space provided.

Line 6 Box - Married Filing Separately

Use this filing status if married on December 31, 1995, and filing a separate Arizona return.

Check the line 6 box and enter your spouse's name and social security number in the space provided.

Arizona is a community property state. Separate Arizona income tax returns must reflect one-half of the community income taxable to Arizona plus any separate income taxable to Arizona.

You must account for community deductions and credits on the same basis as community income. Both filers must either itemize or not itemize. One may not claim a standard deduction while the other itemizes deductions. If you and your spouse support a dependent child from community income, either you or your spouse may claim the dependent. Both of you cannot claim the same dependent on both returns.

If you were an Arizona nonresident during 1995 and you file a separate Arizona income tax return, your separate nonresident Arizona income tax return must reflect one-half of the **total community income** derived from **Arizona sources** plus any separate income derived from Arizona sources.

Line 7 Box - Single

Use this filing status if unmarried or legally separated on December 31, 1995, and you cannot use head of household. Legally separated means under a decree of divorce or of separate maintenance.

Totaling Your Exemptions

Write the number of exemptions you are claiming in boxes 8, 9, and 10. Do not use a checkmark. You may lose the exemption if you put a checkmark in these boxes. You may lose the dependent exemption if you omit names, relationships, and social security numbers on page 2, Part A.

Line 8 Box - Age 65 or Over

Write "1" in box 8 if you or your spouse were 65 or older in 1995. Write "2" in box 8 if both you and your spouse were 65 or older in 1995.

Line 9 Box - Blind

Write "1" in box 9 if you or your spouse are totally or legally blind. Write "2" in box 9 if both you and your spouse are totally or legally blind. To qualify as legally blind, you must attach a physician's letter stating one of the following.

1. Your vision is 20/200 or poorer with corrective lenses.
2. Your field of vision is 20 degrees or less.

Line 10 Box - Dependents

Before totaling your dependent exemptions, you must complete Part A on page 2 of your return.

NOTE: Arizona law is different from federal law. A divorced parent must furnish over one-half of a dependent's support to claim a dependent as an exemption. A divorced parent cannot claim a dependent without meeting the support test.

Line A1 - Dependents Related to You

List as dependents any of the following if you provided more than half of their support during 1995:

- child, stepchild, adopted child grandchild
- son-in-law, daughter-in-law, brother-in-law, sister-in-law
- parent, grandparent, mother-in-law, father-in-law
- brother, sister
- stepparent, stepbrother, stepsister

If related by blood:

- uncle, aunt, nephew, niece

The following groups do not qualify as dependents:

- yourself, spouse
- cousins, foster children
- citizens of any country other than Canada and Mexico who do not live in the U.S.

- roommate, non-relatives

Support includes:

- food, medical and dental care, fair rental value of lodging
- cash contributions, recreation, education, furniture
- appliances and cars bought for a dependent's transportation

You may claim an exemption for a dependent who is born or dies during the year if he/she meets the test above.

Write the dependent(s) name, relationship, and social security number on line(s) A1. You may lose the exemption if you do not furnish this information.

Line A2 - Dependents Age 65 or Over

List here any Arizona resident who is 65 or over if, in 1995, you did one of the following.

1. Paid more than one-fourth of the cost of keeping this person in an Arizona nursing or licensed supervisory care home. Your cost must be more than \$800.

2. Paid more than \$800 for either Arizona home health care or other medical costs for the person.

Tax Tip: You may claim this exemption even if the person is a non-relative.

Do not list any person on line A2 whom you have already listed on line A1.

Line A3 - Total Dependents

Enter the total number of persons listed on lines A1 and A2. Enter the same number on the front of the return in box 10.

Reporting Your Residency Status

Check the appropriate box (11 through 13). Check only one box.

Line 11 Box - Nonresident

Check box 11 if you were not an Arizona resident during 1995 and were not on active military duty in Arizona.

Line 12 Box - Nonresident Active Military

Check box 12 if you were a nonresident on active military assignment in Arizona in 1995.

Line 13 Box - Composite Return

Check box 13 if this is a composite return being filed by one of the following.

1. A partnership filing on behalf of its nonresident partners.
2. An S corporation filing on behalf of its nonresident shareholders.

For information on filing an Arizona nonresident composite income tax return, see Arizona Department of Revenue Income Tax Ruling ITR 93-14. To get a copy of this ruling, call one of the help numbers listed on page 1 of these instructions.

Now complete Parts B, C, and D on page 2 of the return.

Determining Arizona Income

Use Part B to determine what portion of your total income is taxable by Arizona.

NOTE: If you are unable to determine the proper line to use, please contact one of the help numbers listed on page 1 of these instructions.

FEDERAL Column

Enter in the FEDERAL column the actual amounts shown on your 1995 federal income tax return. Complete lines B4 through B15. Line B15 should equal the federal adjusted gross income shown on your 1995 federal return Form 1040, Form 1040A, or Form 1040EZ.

ARIZONA Column

Enter in the ARIZONA column that portion of your federal income received from Arizona sources such as wages earned in Arizona, Arizona rental and business income, and gains on the sale of Arizona property.

The Tax Reform Act of 1986 limits the amount of losses that may be deducted from passive activities. A passive activity is one that involves the conduct of any trade or business in which the taxpayer does not materially participate.

With respect to a nonresident taxpayer, passive activity losses arising from Arizona sources only are to be considered in determining Arizona gross income.

The following line-by-line instructions apply to the ARIZONA column.

Line B4 - Wages, Salaries, Tips, etc.

Enter all amounts received from Arizona employers or while you were in Arizona.

NOTE: Do not include active military pay.

Line B5 - Interest

If you have an Arizona business, enter only interest (including U.S. Government interest) you earned on accounts pledged as collateral. Do not include any other interest income even if it was earned in Arizona banks.

If any interest is from a partnership or S corporation, enter your distributive share of the interest income derived from Arizona sources.

Line B6 - Dividends

If you have an Arizona business, enter only those dividends earned on stocks pledged as collateral, including dividends from small business corporations. Do **not** include any other dividend income.

If dividends are from a partnership or S corporation, enter your distributive share of the dividend income derived from Arizona sources.

Line B7 - Arizona Income Tax Refunds

Enter Arizona income tax refunds received in 1995.

Line B8 - Alimony Received

Enter alimony received from an Arizona resident.

Line B9 - Business Income or (Loss)

Enter income or (loss) from Arizona businesses.

Line B10 - Gains or (Losses)

Enter gains or (losses) on sales of Arizona property.

Line B11- Rents, etc.

Enter rent or royalty earned on Arizona properties. Also enter income or (loss) from Schedule(s) K-1 (NR) from Arizona partnerships (Form 165), fiduciaries (Form 141), or small business corporations (Form 120S).

Line B12 - Other Income Reported on Your Federal Return

Enter other income from sources within Arizona. Do not include pension income or social security taxed by the federal government.

Net Operating Losses

Arizona does not have specific net operating loss provisions for individual taxpayers. Arizona conforms to the federal net operating loss provisions, including the carryback provisions.

As an Arizona nonresident, you may have had a loss from prior year Arizona business operations. However, the loss cannot offset this year's income unless

the loss is a net operating loss for federal purposes. You can include the loss deduction in your Arizona gross income only to the extent included in your federal adjusted gross income. You cannot include any amount of that net operating loss which has already been deducted for Arizona purposes.

Enter the amount of net operating loss deduction included in your federal adjusted gross which was derived from Arizona sources. Do not include any amount of the loss which has already been deducted for Arizona purposes.

For information on deducting a net operating loss carryback, see Arizona Department of Revenue Income Tax Procedure ITP 94-1. To get a copy of this procedure, call one of the help numbers listed on page 1 of these instructions.

Line B13 - Total Income

Add lines B4 through B12 and enter the total.

Line B14 - Other Federal Adjustments

Include on line B14 any other federal adjustments included in your federal adjusted gross income which are attributable to the Arizona source income reported on your 1995 Arizona nonresident return.

Line B16 - Arizona Income

Complete line B16 as instructed on the form.

Line B17 - Arizona Percentage

Divide line B16 by line B15 and enter the result. **(Do not enter more than 100 percent.)** This is the Arizona percentage of your total income.

Example:

Arizona Gross Income from line B16	= \$	7,500
Federal Adjusted Gross Income from line B15	= \$	30,000
Arizona percentage	= \$	7,500/30,000 = 25%

Determining Additions to Income

Line C18 - Early Withdrawal of Arizona, County, City, or School Retirement System Contributions

If you meet all the following, you must enter an amount here.

1. You left your job with the State of Arizona or an Arizona county, city, or school district for reasons other than retirement.
2. When you left, you took out the contributions you had made to the retirement system while employed.
3. You had previously deducted these contributions on your Arizona income tax returns.
4. You did not include these contributions in your federal adjusted gross income this year.

If you meet all these tests, you must report as income, those contributions previously deducted on your prior year Arizona tax returns.

For more information, see Arizona Department of Revenue Income Tax Ruling ITR 93-7. To get a copy of this ruling, call one of the help numbers listed on page 1 of these instructions.

Line C19 - Other Additions to Income

Use line C19 if any of the special circumstances below applies. Attach your own schedule to the back of your return, explaining any amounts entered on line C19.

A. Ordinary Income Portion of Lump-Sum Distribution Excluded on Your Federal Return

Arizona law does not provide for 5 or 10 year averaging. Enter the amount of the distributions received from Arizona sources and treated as ordinary income on your federal return. If you chose to treat the capital gain portion of the distributions as ordinary income, you must also include that amount.

For more information, see Arizona Department of Revenue Income Tax

Ruling, ITR 93-5. To get a copy of this ruling, call one of the help numbers listed on page 1 of these instructions.

B. Trust and Estate Deductions

You must add the following estate or trust deductions to your Arizona gross income.

1. Your share of the estate's or trust's deductions allowed under the Internal Revenue Code.
2. Your share of the excess deductions and loss carryovers allowed under the Internal Revenue Code as deductions to the beneficiary on termination of an estate or trust.

You must add the above deductions and loss carryovers to Arizona gross income only to the extent these items are included in computing your Arizona taxable income.

C. Agricultural Water Conservation Expenses

If you take the agricultural water conservation system credit, you must add the amount of agricultural water conservation expenses that you deducted under the Internal Revenue Code. If you take this credit, enter the amount of agricultural water conservation expenses you deducted in computing your federal adjusted gross income.

D. Items Previously Deducted for Arizona Purposes

Arizona statutes prohibit a taxpayer from deducting items more than once. However, under the operation of former Arizona law, you could deduct certain items in greater amounts for Arizona purposes than federal purposes. Investment interest and passive activity losses were such items. In some cases, you could have deducted such amounts in their entirety on the Arizona return. For federal purposes, the deduction for these items was limited, with the unused portions being carried forward and deducted in future years. Your Arizona return may include these previously deducted items because of the difference between the federal and former Arizona treatment. If your Arizona taxable income includes items previously

deducted for Arizona purposes, you must add such amounts to your Arizona gross income.

E. Claim of Right Adjustment for Amounts Repaid in 1995

You must make an entry here if all of the following apply.

1. During 1995, you were required to repay amounts held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. The amount required to be repaid during 1995 was more than \$3,000.
4. You took a deduction for the amount repaid on your 1995 federal income tax return.
5. The deduction taken on your federal income tax return is reflected in your Arizona taxable income.

If the above apply, enter the amount deducted on your federal income tax return which is reflected in your Arizona taxable income.

For more information on the Arizona claim of right provisions, see Arizona Department of Revenue Individual Income Tax Procedure ITP 95-1.

F. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if all of the following apply.

1. During a year prior to 1995 you were required to repay income held under a claim of right.
2. You computed your tax for that prior year under Arizona's claim of right provisions.
3. A net operating loss or capital loss was established due to the repayment made in the prior year.
4. You are entitled to take that net operating loss or capital loss carryover into account when computing your 1995 Arizona taxable income.

5. The amount of the loss carryover included in your Arizona gross income is more than the amount allowed to be taken into account for Arizona purposes.

Enter the amount by which the loss carryover included in your Arizona gross income is more than the amount allowed for the taxable year under Arizona law.

G. Summer School and Jobs Program Wages

Enter the amount of wages paid to students enrolled in the 1995 Summer School and Jobs Program that is equal to the amount of the tax credit taken by the taxpayer.

H. Other Adjustments

Other special adjustments may be necessary for depreciation or amortization of pollution control devices, child care facilities, or other items. Call one of the help numbers listed on page 1 of these instructions for more information on these adjustments.

Line C20 - Total Additions

Add lines C18 and C19. Enter the total on line C20 and on the front of your return, line 16.

Determining Subtractions From Income

You may only subtract those items for which statutory authority exists. Without such authority you cannot take a subtraction. If you have any questions concerning subtractions from income call one of the help numbers listed on page one of these instructions.

NOTE: *You may not subtract any amount which is allocable to income excluded from your Arizona income.*

Line D21 - Exemption: Age 65 or Over

Multiply the number in box 8 on the front of your return by \$2,100 and enter the result.

Line D22 - Exemption: Blind

Multiply the number in box 9 on the front of your return by \$1,500 and enter the result.

Line D23 - Exemption: Dependents

Multiply the number in box 10 on the front of your return by \$2,300 and enter the result.

Line D24 - Total

Add lines D21 through D23 and enter the total.

Line D25 - Prorated Exemptions

Multiply the amount on line D24 by your Arizona percentage from line B17 and enter the result.

NOTE: *Active Duty Military Personnel Only: If you were on active duty in Arizona during 1995, but you were a resident of another state, you must prorate these exemptions.*

Line D26 - Interest on U.S. Obligations

Enter the amount of interest income from U.S. Government obligations included as income on line B5 in the ARIZONA column. U.S. Government obligations include obligations such as savings bonds and treasury bills. You must reduce this subtraction by any interest or other related expenses incurred to purchase or carry the obligation. Reduce the subtraction only by the amount of such expenses included in your Arizona gross income.

Line D27 - Arizona Lottery Winnings

You may subtract all winnings received in 1995 related to an Arizona lottery prize won before March 22, 1983. You may subtract up to \$5,000 of winnings received in 1995 for Arizona lottery prizes won after March 21, 1983. Only subtract those Arizona lottery winnings which are included on line B12 in the ARIZONA column and reported on your federal income tax return.

If you subtract Arizona lottery winnings here, you may have to adjust the amount of gambling losses claimed as an itemized deduction.

Line D28 - Alternative Fuel Vehicles and Refueling Equipment

For taxable years beginning from and after December 31, 1993, Arizona law allows a subtraction for alternative fuel vehicles.

You may qualify to take this subtraction if you did any of the following.

1. Purchased a new alternative fuel vehicle for use in Arizona.
2. Converted a conventional fuel vehicle to an alternative fuel vehicle for use in Arizona.
3. Installed alternative fuel vehicle refueling equipment on your property in Arizona.

You may take a subtraction for purchasing a new alternative fuel vehicle. You may take a subtraction for converting a conventional fuel vehicle to an alternative fuel vehicle. You may take a subtraction for installing an alternative fuel delivery system. You may also subtract some personal interest if your purchase or conversion was for your private non-commercial use. The total subtraction is the sum of the amounts allowed to be subtracted for each item.

To figure your subtraction complete Form 313. Enter the amount from Form 313, Part 1, line 28 here.

Line D29 - Agricultural Crops Contributed to Arizona Charitable Organizations

Arizona law allows a subtraction for qualified crop contributions made during 1995 to one or more charitable organizations. To take this subtraction, you must be engaged in the business of farming or processing agricultural crops. The crop must be grown in Arizona. Your contribution must be made to a charitable organization located in Arizona which is exempt from Arizona tax.

The subtraction is the greater of 80 percent of the wholesale market price or 80 percent of the most recent sale price for the contributed crop.

To determine if your crop contribution qualifies for this subtraction, see Arizona Department of Revenue Income Tax Procedure ITP 93-2. To get a copy of this procedure, call one of the help numbers listed on page 1 of these instructions.

Line D30 - Other Subtractions

Use line D30 if any of the following special circumstances apply. Attach your own schedule to the back of the return, explaining any amounts entered here.

A. Certain Wages of American Indians

Enrolled members of American Indian tribes may subtract wages earned while living and working on their tribe's reservation included on line B4, ARIZONA column. The federal government must recognize these tribes.

For more information, see Arizona Department of Revenue Income Tax Ruling, ITR 91-3. To get a copy of this ruling, call one of the help numbers listed on page one of these instructions.

B. Adoption Expenses

You may take this subtraction only in the year the final adoption order is granted.

Enter the lesser of the total of the following adoption expenses or \$3,000.

When figuring your subtraction, you may include expenses incurred in prior years.

The following expenses are qualified adoption expenses.

1. Nonreimbursed medical and hospital costs.
2. Adoption counseling.
3. Legal and agency fees.
4. Other nonrecurring costs of adoption.

If filing separately, you may take the entire subtraction, or you may divide the subtraction with your spouse. However, the total subtraction taken by both you and your spouse cannot exceed \$3,000.

C. Qualified Wood Stove, Wood Fireplace, or Gas Fired Fireplace

Arizona law provides a subtraction for the purchase of a qualified wood stove, wood fireplace, or gas fired fireplace and non-optional equipment directly related to its operation. You may subtract up to \$500 for the purchase and installation of a qualified wood stove, wood fireplace, or gas fired fireplace on your property located in Arizona. When you figure your subtraction, you may also include the purchase price and installation cost of any non-optional equipment directly related to its operation. When figuring your subtraction, do not include taxes, interest, or other finance charges in the purchase price and installation costs.

Arizona law also provides a subtraction for converting an existing fireplace to a qualified wood stove, wood fireplace, or gas fired fireplace and non-optional equipment directly related to its operation. You may subtract up to \$500 for converting an existing fireplace to a qualified wood stove, wood fireplace, or gas fired fireplace on your property located in Arizona. When you figure your subtraction, include the purchase price and the installation cost of the fireplace and any non-optional equipment directly related to its operation. Do not include taxes, interest, or other finance charges in the purchase price and installation costs.

A qualified wood stove or a qualified wood fireplace is a residential wood heater that was manufactured on or after July 1, 1990, or sold at retail on or after July 1, 1992. The residential wood heater must also meet the U.S. Environmental Protection Agency's July, 1990 particulate emissions standards.

A qualified gas fired fireplace is any device that burns natural or liquified petroleum gas as its fuel through a burner system that is permanently installed in the fireplace. The conversion of an existing wood burning fireplace to noncombustible gas logs that are permanently installed in the fireplace also qualifies as a gas fired fireplace.

D. Claim of Right Adjustment for Amounts Repaid in Prior Taxable Years

You must make an entry here if all of the following apply.

1. During a year prior to 1995 you were required to repay income held under a claim of right.
2. The amount required to be repaid was subject to Arizona income tax in the year included in income.
3. You computed your tax for that prior year under Arizona's claim of right provisions.
4. A net operating loss or capital loss was established due to the repayment made in the prior year.
5. You are entitled to take that net operating loss or capital loss carryover into account when computing your 1995 Arizona taxable income.
6. The amount of the loss carryover allowed to be taken into account for Arizona purposes is more than the amount included in your Arizona gross income.

Enter the amount by which the loss carryover allowed for the taxable year under Arizona law is more than the amount included in your Arizona gross income.

E. Employer Contributions Made to Employee Individual Medical Savings Accounts

If you are an employer, you may subtract the amount contributed to your employees' individual medical savings accounts. These contributions can be subtracted only to the extent not deductible for federal income tax purposes. You can subtract these contributions only to the extent included in your Arizona gross income.

Line D31 - Total Subtractions

Add lines D25 through D30. Enter total here and on the front of your return on line 19.

Different Last Names

If you have filed an Arizona tax return within the past four years with a different last name, enter your prior last name(s), in Part E.

Totaling Your Income

Line 14 - Federal Adjusted Gross Income

You must complete your federal return before completing your Arizona return. Even if not filing a federal return, you must complete a 1995 federal return to determine your federal adjusted gross income.

Arizona uses federal adjusted gross income as a starting point to determine Arizona taxable income. Enter your federal adjusted gross income from page 2, line B15.

Line 15 - Arizona Income

Enter your Arizona income from page 2, line B16, of your return.

Line 16 - Additions to Income

Enter the amount from page 2, line C20, of your return.

Line 17 - Amounts Received From an Individual Medical Savings Account

You must include amounts received from an individual medical savings account here if any of the following three situations apply.

1 - Withdrawals

You must make an entry here if the following apply.

1. You withdrew money from your individual medical savings account during 1995.
2. You did not deposit the amount withdrawn into another individual medical savings account within 60 days of the withdrawal.

Enter the amount withdrawn here. Do not enter any qualified medical payments or reimbursements made by the plan.

Such payments or reimbursements are not withdrawals.

2 - Transfers or Distributions Received Under the Terms of a Legal Separation or Dissolution of Marriage

You must make an entry here if the following apply.

1. You received a transfer or distribution from your spouse's or former spouse's individual medical savings account.
2. The transfer or distribution was required under the terms of a legal separation or dissolution of marriage.
3. You did not deposit the full amount of the transfer or distribution into another individual medical savings account within 60 days of the transfer or distribution.

If the above apply, enter the amount you received from the transfer or distribution here.

3 - Change in Employment

You must enter here the amount received from your individual medical savings account if you changed employers during 1995 and the following apply.

1. Your former employer was the trustee of your individual medical savings account.
2. Your former employer would not retain the funds in your account.
3. Your former employer closed your account and mailed you a check for the amount in the account.
4. You did not deposit the amount of that check into another medical savings account within 60 days of receiving the check.

Line 19 - Subtractions From Income

Enter the amount from page 2, line D31, of your return.

Line 20 - Subtraction of Federal Retirement Contributions

This line applies only to individuals who were civilian employees of the United States Government in Arizona during 1995. The Arizona Court of Appeals ruled that the Arizona statute which effectively taxes federal employees' contributions to federal retirement plans violates the doctrine of intergovernmental tax immunity. Both the plaintiffs and the state have filed requests for reconsideration of the case with the Arizona Court of Appeals. Therefore, the issue is not yet settled.

Line 20 is provided to alert you to a remedy available to you under Arizona law. On your 1995 return, you have two options if you had contributions made for income earned in Arizona.

Option #1

You may subtract the amount of contributions to your retirement plan that was withheld from your wages paid by the federal government. Enter on line 20 the amount of such contributions **included in your 1995 Arizona income**. If you choose this option and the courts ultimately decide that it is legal for the State of Arizona to tax your retirement contributions, you will owe additional tax and accrued interest. (Also, see **Protective Claim for Refund** below.)

Option #2

You may choose to ignore line 20. You may instead file the protective claim form. This form is in the front of this instruction booklet. Under this option you will pay tax on your contributions to the federal retirement plan. You will also protect your rights to a credit or refund of this tax if the courts ultimately decide that is appropriate. The state will pay interest in this event.

Protective Claim for Refund

You can find this form in the front of this instruction booklet. This form is at the bottom of the page titled **Notice to Current and Former Federal Civilian Employees**. If you were a civilian employee of the United States

government at any time during the years 1991 through 1995, you should complete this claim form. Submitting this claim form will protect your rights to tax relief for the years you were so employed. If you choose **option #2** above for 1995, you should also include 1995 in your claim. Claims for 1991 must be postmarked by April 15, 1996 to be valid. If you previously filed a protective claim for 1990 through 1994, only include 1995 on the claim form filed for 1995.

Please do not include the protective claim with your 1995 income tax return. Mail the claim form separately to the address indicated to ensure proper handling.

Figuring Your Arizona Tax

Line 23 - Itemized/Standard Deductions

You must decide whether to take the standard deduction or to itemize your deductions. Your Arizona income tax will be less if you take the larger of your standard deduction or your itemized deduction.

Your Standard Deduction

Tax Tip: *The standard deduction is not prorated.*

If you take the standard deduction, check box 23S.

If your filing status is:	Your standard deduction is:
Single	\$ 3,600
Married filing separate	\$ 3,600
Married filing joint	\$ 7,200
Head of household	\$ 7,200

Your Itemized Deduction

You may itemize deductions on your Arizona return even if you do not itemize deductions on your federal return. The itemized deductions allowed for Arizona purposes are those itemized deductions that are allowable under the Internal Revenue Code. As an Arizona nonresident, you must prorate these deductions by the percentage which your Arizona gross income is of your federal adjusted gross income.

To determine your Arizona itemized deductions, complete a federal Form 1040, Schedule A, and then complete the Arizona Form 140NR, Schedule A.

NOTE: *If you itemize, you must attach a copy of your federal Schedule A and your Arizona Schedule A (NR) to your Arizona return.*

Line 24 - Personal Exemptions

The amount of your personal exemption depends on your filing status and the portion of income related to Arizona.

If you checked filing status box 4 or 5, multiply \$4,200 by your Arizona percentage from page 2, line B17. Enter the result on line 24.

If you checked filing status box 6 or 7, multiply \$2,100 by your Arizona percentage from page 2, line B17. Enter the result on line 24.

Active Duty Military Personnel Only:

If you were on active duty in Arizona during 1995, but were a resident of another state, do not prorate your personal exemption. You are allowed a 100 percent deduction for the personal exemption (to include spouse).

Line 26 - Taxable Income

Subtract line 25 from line 22 and enter the result. Use this amount to calculate your tax using Tax Rate Table X or Y.

Line 27 - Tax Amount

Enter the tax from Tax Rate Table X or Y.

Line 28 - Tax From Recapture of Credits From Form 301

Enter the amount of tax due from recapture of the environmental technology credit and/or the recycling equipment credit from Form 301, Part II, line 18.

Line 29 - Subtotal of Tax

Add lines 27 and 28.

Line 30 - Total Credits From Form 301

Complete line 30 if you can take any of the following credits.

1. Defense Contracting Credit. You may qualify for this credit if you are an Arizona Department of Commerce certified defense contractor who has qualified increases in employment. This tax credit also includes a provision for a property tax credit. Use Form 302 to figure this credit.

2. Enterprise Zone Credit. You may qualify for this credit if your business in an Arizona enterprise zone had net increases in employment of qualified employees. Use Form 304 to figure this credit.

3. Environmental Technology Credit. You may qualify for this credit if your business incurred expenses in constructing a qualified environmental technology manufacturing facility. Use Form 305 to figure this credit.

4. Military Reuse Zone Credit. You may qualify for this credit if you have qualifying net increases in full-time employment within a military reuse zone. Use Form 306 to figure this credit.

5. Recycling Equipment Credit. You may qualify for this credit if your business has installed recycling material equipment. Use Form 307 to figure this credit.

6. Credit for Taxes Paid to Another State or Country. You may qualify for this credit if you paid tax to Arizona and another state on the same income. Use Form 309 to figure this credit.

7. Agricultural Water Conservation System Credit. You may qualify for this credit if you incurred expenses to purchase and install an agricultural water conservation system in Arizona. Use Form 312 to figure this credit.

8. Alternative Fuel Credit. You may qualify for this credit if you purchased a new alternative fuel vehicle or alternative fuel refueling equipment. You may also qualify for this credit if you converted your conventional vehicle to operate as an alternative fuel vehicle. Use Form 313 to figure this credit.

9. Underground Storage Tanks Credit. You may qualify for this credit if you incurred expenses correcting a release of a regulated substance from an underground storage tank. To qualify for this credit, you must not have been liable or responsible for the corrective action as an owner or operator of the underground storage tank. Use Form 314 to figure this credit.

10. Pollution Control Credit. You may qualify for this credit if you purchased depreciable property used in a trade or business to reduce or prevent pollution. Use Form 315 to figure this credit.

11. Construction Materials Credit. You may qualify for this credit if you purchased construction materials for a building used in manufacturing, mining, or research and development. Your construction costs must have been more than five million dollars. Use Form 316 to figure this credit.

12. Summer School and Jobs Credit. You may qualify for this credit if you are an employer that has employed a qualifying student during the summer of 1995. Use Form 317 to figure this credit.

Compute your credit on the appropriate form. Then complete Form 301 and enter the amount from Form 301, line 33. The credits on line 30 cannot reduce your tax below zero. These credits are not refundable credits.

Attach Arizona Form 301 along with any supporting documents to your return.

Line 31 - Credit Type

If you entered an amount on line 30, write the form number(s) of the credit(s) from Arizona Form 301, Part II.

If you are claiming:	Write form number:
1. Defense Contracting Credit	302
2. Enterprise Zone Credit	304
3. Environmental Technology Credit	305

4. Military Reuse Zone Credit	306
5. Recycling Equipment Credit	307
6. Credit for Taxes Paid to Another State or Country	309
7. Agricultural Water Conservation System Credit	312
8. Alternative Fuel Credit	313
9. Underground Storage Tanks Credit	314
10. Pollution Control Credit	315
11. Construction Materials Credit	316
12. Summer School and Jobs Credit.	317

Line 32 - Total Tax

Subtract line 30 from line 29. If line 30 is more than line 29, enter zero.

Line 33 - Federal Retiree Credit

If you received a federal retiree Annual Credit Statement for 1995, enter the amount of credit shown on your 1995 Annual Credit Statement.

Line 34 - Balance of Tax

Subtract line 33 from line 32 but do not enter an amount less than zero. If line 33 is larger than line 32, enter zero.

Totaling Payments

Line 35 - Arizona Income Tax Withheld

Enter the Arizona income tax withheld as shown on the Form(s) W-2 from your employer. Attach the Form(s) W-2 to the front of your return. Do not include income taxes withheld by any other state.

Line 36 - Arizona Estimated Tax Payments for 1995 and Amount Applied From 1994 Return

Use this line if you did at least one of the following:

1. Made estimated income tax payments to Arizona for 1995.
2. Applied any of your refund from your 1994 Arizona return to 1995 estimated taxes for Arizona.

Enter the total amount paid and/or applied to 1995 taxes.

Line 37 - Amount Paid With 1995 Extension Request

Use this line to report the payment you sent with your extension request.

Line 38 - Total Payments

Add lines 35 through 37. Enter the total.

Also, do the following if you computed your 1995 tax under Arizona's claim of right provisions.

1. Write "ARS § 43-1029" and the amount of the prior year tax reduction in the space to the left of your total payment amount.
2. Include the credit for the prior year tax reduction in the total entered on line 38.
3. Attach a schedule explaining the amounts repaid and the computation of the prior year tax reduction.

For more information on Arizona's claim of right provisions, see Arizona Department of Revenue Individual Income Tax Procedure ITP 95-1.

Figuring Your Overpayment or Tax Due**Line 39 - Tax Due**

If line 34 is more than line 38, you have tax due. Subtract line 38 from line 34. Skip lines 40, 41, and 42.

Line 40 - Overpayment

If line 38 is more than line 34, subtract line 34 from line 38. Complete lines 41 and 42.

Line 41 - Amount of Line 40 to Apply to 1996 Tax

If you want all or part of your refund applied to next year's Arizona estimated taxes, enter that amount.

Line 42 - Balance of Overpayment

Subtract line 41 from line 40 to determine your overpayment balance before voluntary contributions and any estimated payment penalty.

Making Voluntary Contributions

You can make voluntary contributions to each of the funds shown below. A contribution will reduce your refund or increase the amount due with your return.

You cannot change original contributions later on amended returns.

Line 43 - Arizona Wildlife Fund

Contributions go to the Arizona Game, Nongame, Fish and Endangered Species Fund. This fund helps protect and conserve over 1,000 nongame species.

Line 44 - Child Abuse Prevention Fund

Contributions go to the Arizona Child Abuse Prevention Fund. This fund provides financial aid to community agencies for child abuse prevention programs.

Line 45 - Neighbors Helping Neighbors Fund

Contributions go to the Neighbors Helping Neighbors Fund. This fund provides eligible recipients with emergency aid in paying energy utility bills, conserving energy, and weatherization.

Line 46 - Special Olympics Fund

Contributions go to the Special Olympics Fund. This fund helps provide programs of the Arizona Special Olympics.

Line 47 - Political Contributions

Contributions go to one of the following political parties.

Democratic
Libertarian
Republican

Line 48 - Political Party

Check the box for the political party to which you wish to give. You may select only one party. If you do not select a political party, the department will return the amount on line 47.

Line 49 - Estimated Payment Penalty and Interest

You must have made Arizona estimated income tax payments during 1995 if you meet either of the following.

1. You reasonably expected your Arizona gross income to exceed \$75,000 in 1995.
2. Your Arizona gross income in 1994 was greater than \$75,000.

In projecting current Arizona gross income, you must use ordinary business care and prudence in determining if estimated tax payments are required.

If you were unable to project your 1995 Arizona gross income, you may request a waiver from the requirement to make estimated payments. The department may grant a waiver for one or more payment periods. You must request a waiver in writing. If requesting a waiver, attach your request to your return when you file. Your request must explain why you could not reasonably project your Arizona gross income for one or more payment periods during 1995.

The department may grant a waiver only if all of the following apply.

1. Your Arizona gross income in the preceding taxable year was less than \$75,000.
2. Using ordinary business care and prudence, you were unable to reasonably project your 1995 Arizona gross income.

You must attach Form 221 and your waiver request to your return.

If you report as a farmer or fisherman for federal purposes, you were not required to make estimated payments during 1995 if the following apply.

1. You are a calendar year filer. You file your Arizona return by March 1, 1996. You pay in full the amount stated on your return as payable.
2. You are a fiscal year filer. You file your Arizona return by the first day of the third month after the end of your fiscal year. You pay in full the amount stated on your return as payable.

If the above applies, check box 2 on line 50 and do not complete Form 221.

An individual who fails to make the required estimated payments is subject to penalty and interest on any estimated tax payment which is late or underpaid.

Complete and attach Form 221, Underpayment of Estimated Tax by Individuals, to determine if any penalty and interest are due. Enter total penalty and interest from Form 221.

Line 50 -

Box 1 - Check box 1 if any of the following applies to you.

1. You checked the box on line 1 of Form 221.
2. You completed the annualized income worksheet on Form 221.
3. You elected to be treated as a nonresident alien on your federal income tax return. You made three estimated payment installments. Your first installment equaled 50 percent of the total of all of your required installments.

Box 2 - If you are an individual who for federal purposes reports as a farmer or fisherman, check box 2.

Box 3 - If you completed and attached Form 221, check box 3.

Line 51 - Individual Medical Savings Account Withdrawal Penalty

Withdrawals made from your individual medical savings account on any day other than the last business day of the year are subject to a ten percent penalty on the amount withdrawn. This penalty is not subject to abatement. You must remit this penalty with your income tax return filed for the year in which the withdrawal was made.

Multiply the amount of your withdrawal subject to penalty by ten percent (.10). Enter the result here.

The following withdrawals are not subject to the penalty.

1. Withdrawals made from your individual medical savings account on the last business day of the tax year.
2. Transfers or distributions you received from your spouse or former spouse under the terms of a legal separation or dissolution of marriage.
3. Your former employer closed your account and mailed you a check for the amount in the account.

Figuring Your Refund or Tax Due

Line 53 - Refund

Subtract line 52 from the amount on line 42. Enter your refund on line 53 and skip line 54.

If a refund is less than \$1, you must request your refund in writing. Attach your request to the front of your return.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

Tax Tip: *If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, 1600 W Monroe, Phoenix AZ 85007. Include your social security number in your correspondence.*

Line 54 - Amount Owed

Add lines 39 and 52. Enter the amount you owe on line 54.

Make your check payable to Arizona Department of Revenue. Write your social security number on the front of your check or money order. Attach your check or money order to the front of your return where shown.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

Sign Your Return

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. The department cannot send a refund check without proper signatures on the return.

Instructions Before Mailing

Before You File Your Return

- Include your home telephone number and a daytime telephone number.
 - Double check your **MATH**. A simple error can cause major delays in processing your return.
 - Make sure your **NAME** is on the return. If you received your return in the mail, use the preprinted label. **If the label is not correct, do not use it.**
 - If claiming **dependent** exemptions, write the number of dependents claimed on the **front** of the return. Also, write each claimed dependent's name, relationship, and social security number on the back of the return.
 - Check the boxes to make sure they are filled in.
 - Attach all required documents.
1. Attach Form(s) W-2 to the front of your return.
 2. Write your social security number on the front of your check and attach your **check** to the **front** of the return.

The Department of Revenue may charge you \$25 for a check returned unpaid by your financial institution.

3. Attach Form 301 and your own schedules to the back of your return.
 4. If you are claiming a credit for taxes paid to another state or country, attach copies of the other state's or country's filed return.
 5. If you requested a filing extension, attach a copy of the federal or state extension requests to the front of your return.
- Sign your return and have your spouse sign if filing jointly.

Filing Your Return

Make a copy of your return and any accompanying schedules to keep for your records before mailing the return. (Remember to file the original, not a copy.)

To mail your return, use the envelope that came in your booklet. If it is missing, send the return to: Arizona

Department of Revenue, PO Box 29002,
Phoenix AZ 85038-9002.

Make sure you put enough postage on the envelope.

Finally, remember, the U.S. Postal Service must postmark your return or extension request by midnight April 15.

Postage meter postmarks are unacceptable. Only U.S. Post Office postmarks qualify.

How Long To Keep Your Return

You must keep your records as long as they are important for any Arizona tax law. Keep records that support an income or deduction item at least until the period of limitations expires for that return. (A period of limitations is the limited time after which no legal action can be brought.) Usually, this is four years from the date the return was due or filed. However, there are instances where the limitation period is longer than four years. For instance:

If unreported income is more than 25 percent of the income shown on the return, the period of limitations does not expire until six years after filing the return.

The department can bring an action at any time if a return is false or fraudulent, or you do not file a return.

There are other situations which could extend the limitation period longer than four or six years. Therefore, keep some records longer. For example, keep records which establish the basis of property for a period longer than four years. Additionally, keep net operating loss records back to the date you incurred the loss. For additional information, get Federal Publication 552, Record Keeping For Individuals.

When To Expect Your Refund

Expect your refund in the mail within 8 weeks of the date you filed. If you have not received your refund by that time, contact one of the help numbers listed on page 1 of these instructions.